

NEW CITY RESIDENCE

New City Residence Investment Corporation

SEMI-ANNUAL REPORT FOR THE PERIOD
SEPTEMBER 1ST 2006 TO FEBRUARY 28TH 2007



New City RESIDENCE

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New City Residence Investment Corporation (New City Residence) was listed on the Real Estate Investment Trust section of the Tokyo Stock Exchange on December 15, 2004 (securities code: 8965).

Through the acquisition of leasing properties featuring high-quality residences, and the introduction of an array of value-added services, "New City Residence" has positioned itself as a high-end multifamily apartment brand.

New City Residence aims to build a portfolio that appeals to a broad range of tenants, responds to diverse and changing lifestyle preferences, as well as environmental, demographic and generational trends.

New City Residence delivers strong growth through a pipeline strategy and extensive outside information network, and continues to meet the needs of its tenants through centralized property management functions and standardized services.

Given the importance inherent in the nature of residential properties, New City Residence is confident that it is well positioned for stable medium-to-long-term earnings.

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Financial Highlights

Summary of 1st to 4th Period Results

	1st Period (ended Aug 31, 2005)*	2nd Period (ended Feb 28, 2006)	3rd Period (ended Aug 31, 2006)	4th Period (ended Feb 28, 2007)
Operating period	260 days	181 days	184 days	181 days
Operating revenues	3,224 million yen	3,346 million yen	4,201 million yen	5,678 million yen
Income before income taxes	1,151 million yen	1,435 million yen	1,635 million yen	2,442 million yen
Net income	1,146 million yen	1,433 million yen	1,630 million yen	2,437 million yen
NOI (Note 1)	2,591 million yen	2,637 million yen	3,293 million yen	3,615 million yen
FFO (Note 2)	1,657 million yen	1,934 million yen	2,282 million yen	3,175 million yen
Total cash distribution	1,146 million yen	1,433 million yen	1,630 million yen	2,437 million yen
Total assets	104,678 million yen	135,663 million yen	164,094 million yen	181,509 million yen
Total interest-bearing liabilities	62,200 million yen	66,900 million yen	94,600 million yen	90,300 million yen
Net assets	40,503 million yen	66,539 million yen	66,756 million yen	88,242 million yen
LTV (Note 3)	59.4%	49.3%	57.6%	49.7%
Outstanding investment units issued	74,556 units	122,612 units	122,612 units	164,068 units
Distribution per unit	15,381 yen	11,692 yen	13,302 yen	14,858 yen
Net asset per unit	543,268 yen	542,687 yen	544,451 yen	537,843 yen
FFO per unit	22,231 yen	15,774 yen	18,616 yen	19,351 yen

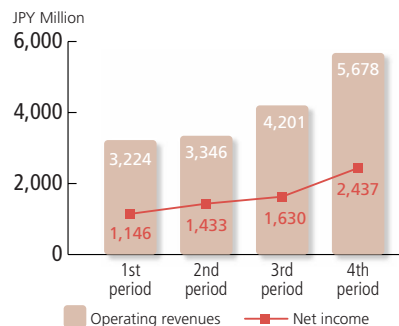
Note 1: NOI = Rental income for the period (rental revenues – rental expenses) + depreciation for the period

Note 2: FFO = Net income for the period + depreciation for the period

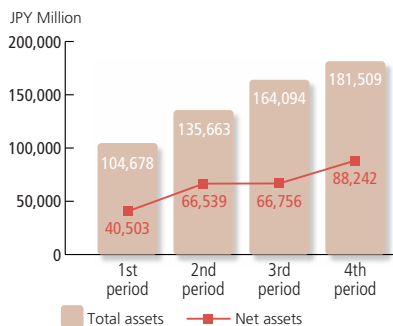
Note 3: LTV (Loan to value ratio) = Total interest bearing liabilities/total assets at end of period

*The 1st period was from December 15, 2004 to August 31, 2005

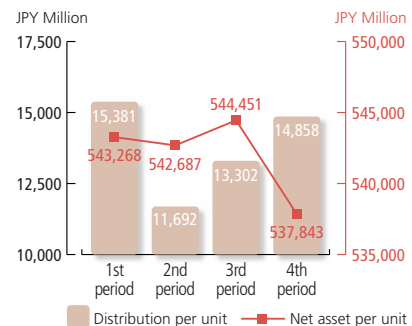
Operating revenues and net income



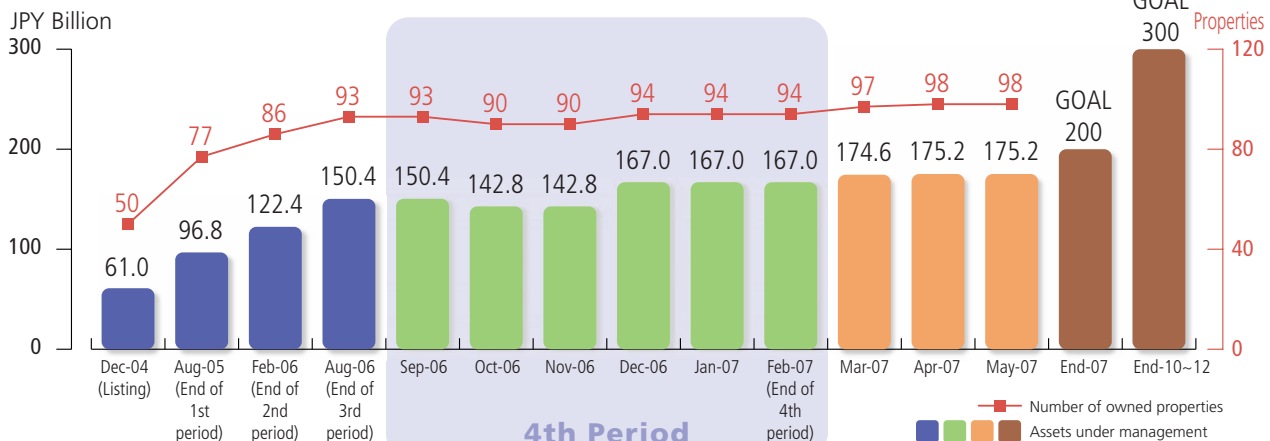
Total assets and net assets



Distribution per unit and net asset per unit



Portfolio Growth



A Word from the Top

Reflections on a Robust Fiscal Period

New City Residence has completed a tremendously productive, successful fourth fiscal period (through February 2007), and I would like to express my deepest gratitude to our various shareholders and the staff of CBRE Residential Management for making this possible.

Reflecting on a robust period, we see that there were significant changes in the rental housing market. However, the demand for quality, conveniently located rental housing remains high, and is further reinforced by young professionals opting for rental housing over ownership as well as the continued return to city centers.

Within this market that has also become extremely competitive due to the increase in average land price and a vast inflow of overseas capital, New City Residence has continued to proactively acquire optimally priced, strategically positioned residential properties with potential for growth. The Japanese economic recovery continues to positively impact our portfolio, enabling us to raise the rents for our “close, new and large” (kin-shin-dai) concept properties. This is a trend that we believe will continue. The following prove the soundness of our strategy and paint a very favorable picture for our future:

- *Number of households moving to or returning to Tokyo has increased steadily since 1994*
- *54% of our properties are “close, new and large” properties in the Tokyo 5 Central Wards (Minato, Shibuya, Shinjuku, Chiyoda and Chuo Wards)*
- *50% of our 3,000m² or larger properties are in the Tokyo 5 Central Wards*
- *9 of our 17 flagship properties – acquisition prices of about JPY 3 billion or higher – are located in the Tokyo 5 Central Wards, and comprise 49% of our rental income*
- *73% of our interest-bearing debt is now fixed-rate and 79% is long-term as a result of aggressive actions taken since the Bank of Japan lifted the zero interest policy*

I would also like to share with you some of our key milestones for this fiscal period:

- *Acquisition of 4 new properties and continued expansion of our sponsor pipeline have helped us reach a portfolio size closing in on JPY 200 billion*
- *Occupancy rates are consistently above 90%, and once on track are maintained at 95% or better*

- *Continued efforts to implement and cultivate our distinctive brand strategy differentiates ourselves from the competition*
- *Issuance of new investment units through a follow-on offering and a third-party allotment reinforced our financial position and lowered our LTV*
- *Strategic disposal of select assets for a capital gain of JPY 944 million enhanced the quality and lowered the age of our portfolio*

We have also set ambitious goals for the future, and will initiate proactive measures o:

- *Reduce building maintenance costs through a bid system in which we have achieved a 10% discount for the 67 properties we held bids on in the fourth fiscal period*
- *Align our strengths of superior quality and location to achieve greater profitability through aggressive setting of residential rent prices*
- *Further strengthen the New City Residence Card and other branding tools key to encouraging long commitments from our tenants*
- *Continue our detailed performance analyses using the MRI system*
- *Redouble our efforts to broaden our sponsor pipeline to further propel external growth*

Thank you again for your support as we continue to map ourselves as the top residential REIT in Japan.



Tetsuya Fujita

*Executive Director,
New City Residence
Investment Corporation*

*President,
CBRE Residential
Management K.K.*

Investment Policy

New City Residence basic investment policy observes a focus on securing steady growth and stable revenues over the medium- to long-term through proactive investment and management of assets.

The number of households in Japan is maintaining its present level due to the rapid expansion in singles and double-income no kids (DINKs) households. This, combined with the perpetual need for housing regardless of business environment, ensures robust housing demand into the future. New City Residence further attempts to cater to the demands of as many family structures as possible, and intends to selectively invest in demand areas with high growth potential and the promise of medium- to long-term income stability.

Target Portfolio - Allocation by Unit Type

Type	Target Allocation	Targeted Tenant Profile
Single (S)	20~40%	Single residents
Urban family(UF)	20~50%	Family comprised of 1-3 people, DINKs (Note 1), single parent and child, persons managing SOHOs (Note 2) who prefer urban living and place importance on convenience
Family (F)	20~50%	Typical family comprised of 2-4 members
Premium (P)	5~20%	Business entrepreneurs and professionals with families comprised of 1-4 members

Type	Area	~30m ²	~40m ²	~50m ²	~60m ²	~70m ²	~80m ²	~90m ²	~100m ²	>100m ²
1R or 1K		S	S	S	S					
1DK or 1K + S		S	UF	UF	UF	UF				
1LDK or LDK + S			UF	UF	UF	UF	P	P	P	P
2DK or 1DK + S			UF	UF/F*	UF/F*	F				
2LDK or 1LDK + S			UF	UF/F*	UF/F*	F	F	P	P	P
3DK or 2DK + S				F	F	F				
3LDK or 2LDK + S					F	F	F	F	P	P
4LDK or 3LDK + S							F	F	F	P

R = Room D = Dining room K = Kitchen S = Service room L = Living room

Note 1: DINKS (Double Income, No Kids) represents households without children where both partners work and have income.

Note 2: SOHO (Small Office Home Office) represents small-scale operators and sole proprietorships that use their home as office.

*A property located in the Tokyo 23 Wards is classified as urban family type. When located outside the Tokyo 23 Wards, it is classified as family type.

Target Portfolio - Allocation by Region

Greater Tokyo (Tokyo, Kanagawa, Saitama & Chiba)	70% or more
(Tokyo 5 Central Wards)	(30~70%)
(Tokyo 23 Wards excl. 5 Central Wards)	(10~60%)
(Greater Tokyo excl. Tokyo 23 Wards)	(10~50%)
Regional cities	30% or less

Note: Tokyo 5 Central Wards are Minato, Shibuya, Shinjuku, Chiyoda and Chuo Wards. Tokyo 23 Wards excl. 5 Central Wards are Tokyo 23 Wards excluding the Tokyo 5 Central Wards (Minato, Shibuya, Shinjuku, Chiyoda and Chuo Wards). Greater Tokyo excl. Tokyo 23 Wards are Tokyo Metropolitan excluding Tokyo 23 Wards, Kanagawa, Chiba and Saitama Prefectures.

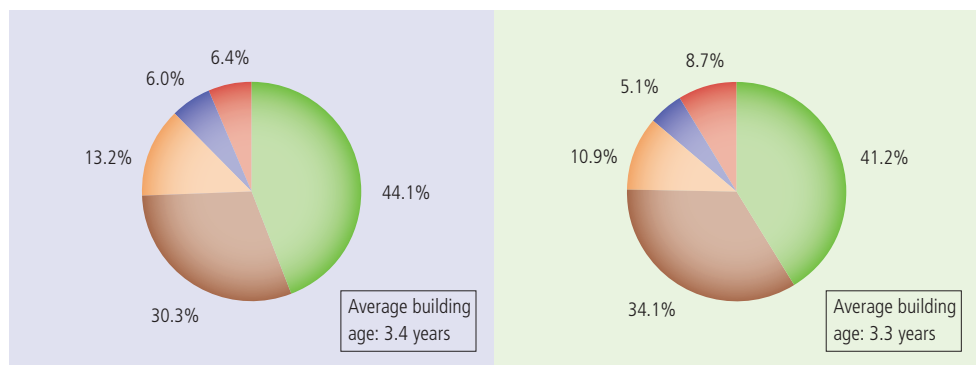
Diversification Highlights

	3rd Period (as of August 31, 2006)	4th Period (as of February 28, 2007)
No. of Properties	93	94
Portfolio Size	JPY 150.4 Billion	JPY 167.0 Billion
No. of Leasable Units	5,409	5,779
PML(%) (Note)	4.6	3.1

Note: PML, or probable maximum loss, refers to the probability of the maximum loss from an earthquake and in this case the level of damage that may result from the assumed maximum earthquake size (large earthquake that occurs once every 475 years = large earthquake with 10% or greater probability of occurring within 50 years) assumed for the assumed scheduled use period expressed as a percentage (%) of the replacement cost of the expenses expected to be required to restore the damages.

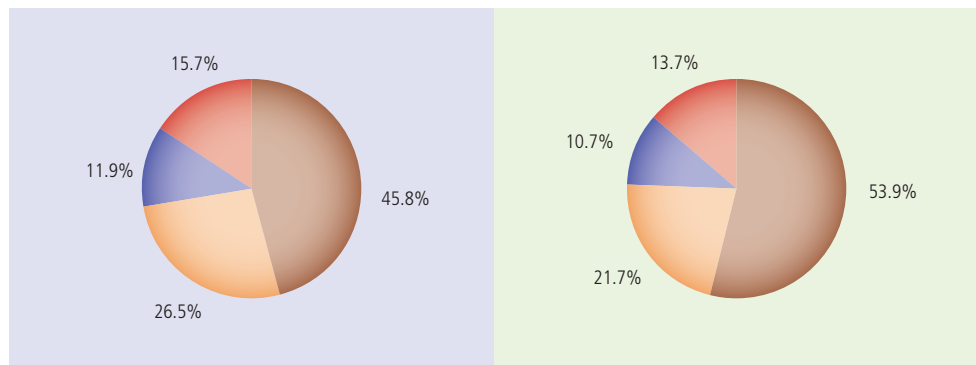
Building Age

- Less than 2 years ■
- 2 to 4 years ■
- 4 to 6 years ■
- 6 to 8 years ■
- More than 8 years ■



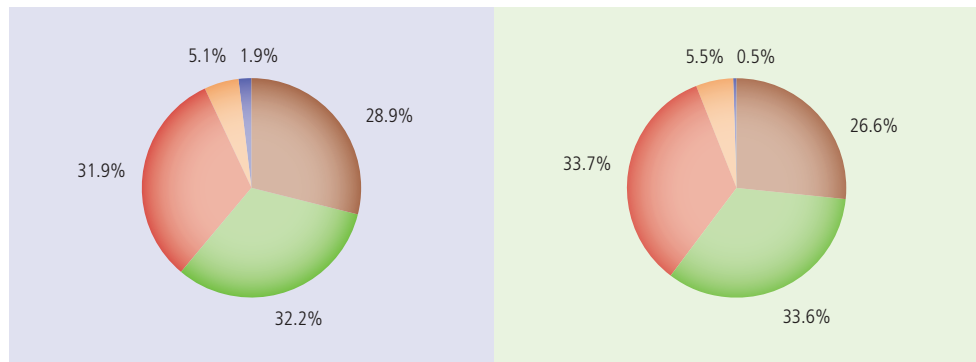
Geographic Spread

- Tokyo 5 Central Wards ■
- Tokyo 23 Wards (excluding 5 central wards) ■
- Greater Tokyo (excluding 23 wards) ■
- Regional ■



Unit Type

- Single ■
- Urban Family ■
- Family ■
- Premium ■
- Other ■



Note 1: Ratio of building age and geographic spread are based upon acquisition price. Unit type is based upon net leasable area.

Note 2: "Other" unit type includes non-residential use areas such as retail, offices, etc.

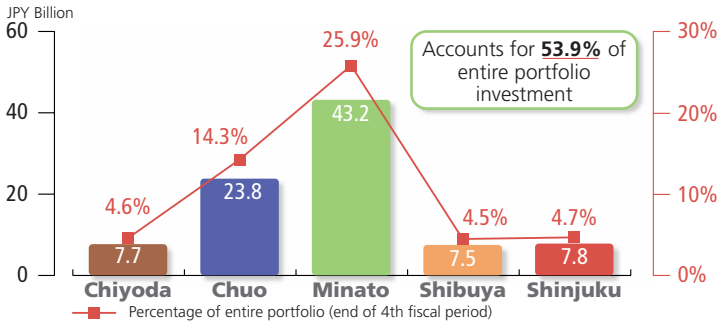
Note 3: The Tokyo 5 Central Wards are the Minato, Shibuya, Shinjuku, Chiyoda and Chuo Wards.

Tokyo 23 Wards represents the other 18 wards after excluding the Tokyo 5 Central Wards.

Greater Tokyo represents Tokyo (excluding Tokyo 23 Wards), Kanagawa, Chiba and Saitama Prefectures.

Note 4: Figures are rounded to the tenth place. Thus, the sum totals of the above may not necessarily be 100%.

Tokyo 5 Central Wards Share Of Entire Portfolio And Ratio of Total Investment

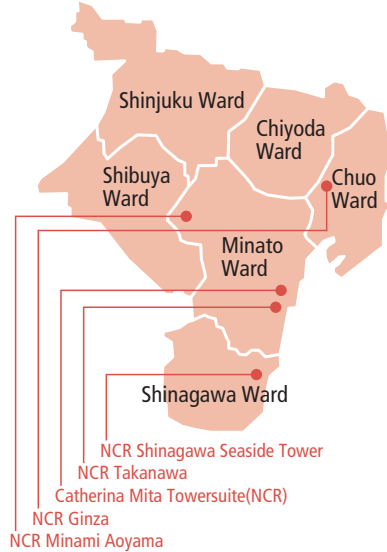


The highest concentration of the core properties in the New City Residence portfolio is in Minato Ward, highlighted by Catherina Mita Towersuite (New City Residence) and NCR Takanawa, followed by Chuo Ward, which includes NCR Ginza. Chiyoda, Shibuya and Shinjuku Wards all

comprise approximately the same portion of the entire New City Residence portfolio. Shinagawa Ward, with the acquisition of the NCR Shinagawa Seaside Tower, is also becoming more prominent in the portfolio.

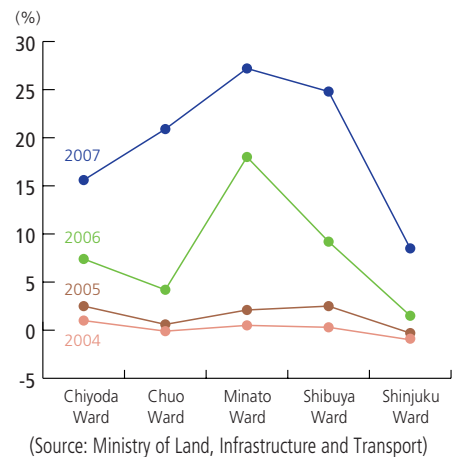
During the period between 2003 and 2005, there was relatively little variation in land prices among the Tokyo 5 Central Wards. In 2006, however, prices rose noticeably, with the most significant climb coming in Minato Ward. Prices continued to rise in 2007 and, while Chuo Ward and Shibuya Ward have gained ground, residential land is still most expensive in Minato Ward.

Location of Core Assets

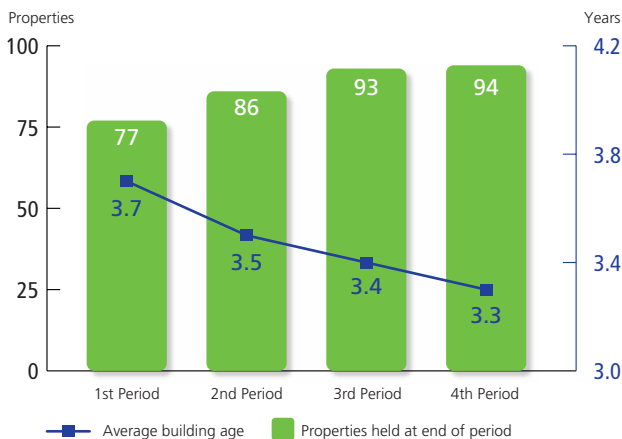


Land Prices in Tokyo 5 Central Wards

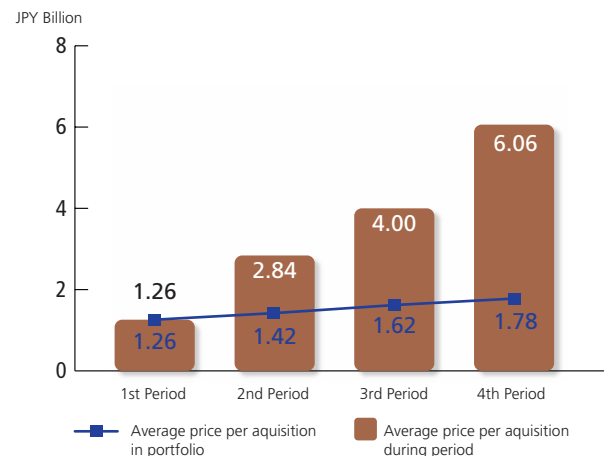
(Changes of Year-on-Year Rates for Residential Land)



Variation in Average Building Age



Variation in Average Price Per Acquisition



With the goal of realizing stable external growth, New City Residence employs specific strategies including a solid pipeline strategy, diversified acquisition methods, growing profit through a select portfolio and conducting due diligence. New City Residence has put in place and is committed to its external growth strategies that are multifaceted and include collaborating with its sponsor New City Corporation as well as major brokerage firms and trust banks, robust sourcing channels, promoting the acquisition of properties under development as well as clearly defined guidelines for maintaining a select portfolio and conducting due diligence.

Pipeline Strategy

- ◆ Collaboration with sponsor New City Corporation
(As per memorandum on revision of Real Estate Information and Operational Support)
-
- ◆ Alliances with major brokerage firms
(As per memorandum on Provision of Real Estate Brokerage Information, etc.)
 - The Chuo Mitsui Trust and Banking
 - Sumitomo Real Estate Sales
 - Tokyu Livable
 - Mitsui Real Estate Sales

Growing Profit through a Select Portfolio

- ◆ Construct portfolio with high potential to raise rents
 - Investment focuses on Tokyo 5 Central Wards*
 - Acquisition of "Close," "New" and "Large" core assets
- ◆ Selective investment in high-yield properties in the heart of key regional cities
- ◆ Stabilization of cash flows from new properties with low occupancies through master leases from seller

*Minato, Shibuya, Shinjuku, Chiyoda and Chuo wards

PORTFOLIO ENHANCEMENT

Acquisition Method Diversification

- ◆ Develop robust sourcing channels
-
- ◆ Promote acquisition of properties still under development
 - Avoid excessive property competition
 - Apply New City Residence specifications for building design

Due Diligence

- ◆ Construct system for double checking engineering reports and appraisal reports internally
-
- ◆ Periodic inspections of properties during construction
- ◆ Obtaining Reps & Warranties from sellers for legal compliances and liabilities for latent defects

Internal Growth

New City Residence puts to work various strategies to ensure internal growth. In an effort to establish “New City Residence” as a high-end brand, New City Residence acquires high-quality rental condominiums and offers innovative value-added services to maximize satisfaction, occupancy and rent growth. Through effective property management, cost efficiency and standardization of specifications, the improvement of management is sought. The application of strategic asset management through maintenance of property performance and tenant data improves profitability of existing assets and serves as a valuable information database for use in future acquisitions and growth.

Spreading of the “New City Residence” Brand

- ◆ High-quality rental condominiums
-
- ◆ New additions to tenant services*

- ◆ New City Residence credit card*

- ◆ Monitoring survey and new initiatives based on results*

*Provided through New City Property Services K.K.

Achievement of High Occupancy and Higher Rent

- ◆ Accumulated leasing know-how insures maintenance of high occupancy

- ◆ Higher rents for renewals and new leases

- ◆ Strengthen collaborative relationship with leading rental agents

MAXIMIZE CASHFLOW

Cost Reduction and Improvement of Management Specifications

- ◆ Effective property management in each and every area
-
- ◆ Cost reduction through building management bids and stricter management specifications
-
- ◆ Standardization of management specifications nationally

Strategic Asset Management

- ◆ Greater efficiency in property performance and tenant data management

- ◆ Reinforce depth of performance records and build a track record database utilizing the MRI system*

*MRI stands for “Management Reports International,” an asset management system.

Brand Strategy

Implementing a strong, integrated brand strategy is central to our overall growth strategy. It aims to establish and propagate the New City Residence brand to enhance the attractiveness of our properties, increase the satisfaction of people who live there, and thus ensure stable and larger revenues from the entire portfolio. We are committed to continuously implement various measures in line with this strategy, such as those outlined below. The tenant service program is provided through New City Property Services K.K., which is a property management company used by New City Residence.

New City Residence Card

All tenants are eligible to join the New City Residence Credit Card program, which carries benefits such as bonus and mileage points tied to rent payments and automatic rent deductions.



New City 24

New City 24 is New City Residence's around-the-clock call center staffed by dedicated maintenance personnel ready to assist tenants with everything from water leaks and air conditioning problems to questions from new tenants before moving in.



Living Option

Through our Living Option program, tenants can contact a variety of service providers to take care of food delivery, dry cleaning and home appliance rental, and request housecleaning or regular housekeeping.



Living Handbook

Details on all services, along with information on property management, the surrounding area and emergency contacts as well as the Living Option program are found in New City Residence's Living Handbook.



Exclusive Site for Tenants

Useful information can be obtained through the exclusive tenant homepage, which also serves as a communication conduit between tenants and property management.



New City Patrol

New City Patrol comprises a team of building and security professionals that make monthly inspections of New City Residence properties from the perspective of the tenant, confirming the proper upkeep of the exterior, cleaning, building management, and security features.



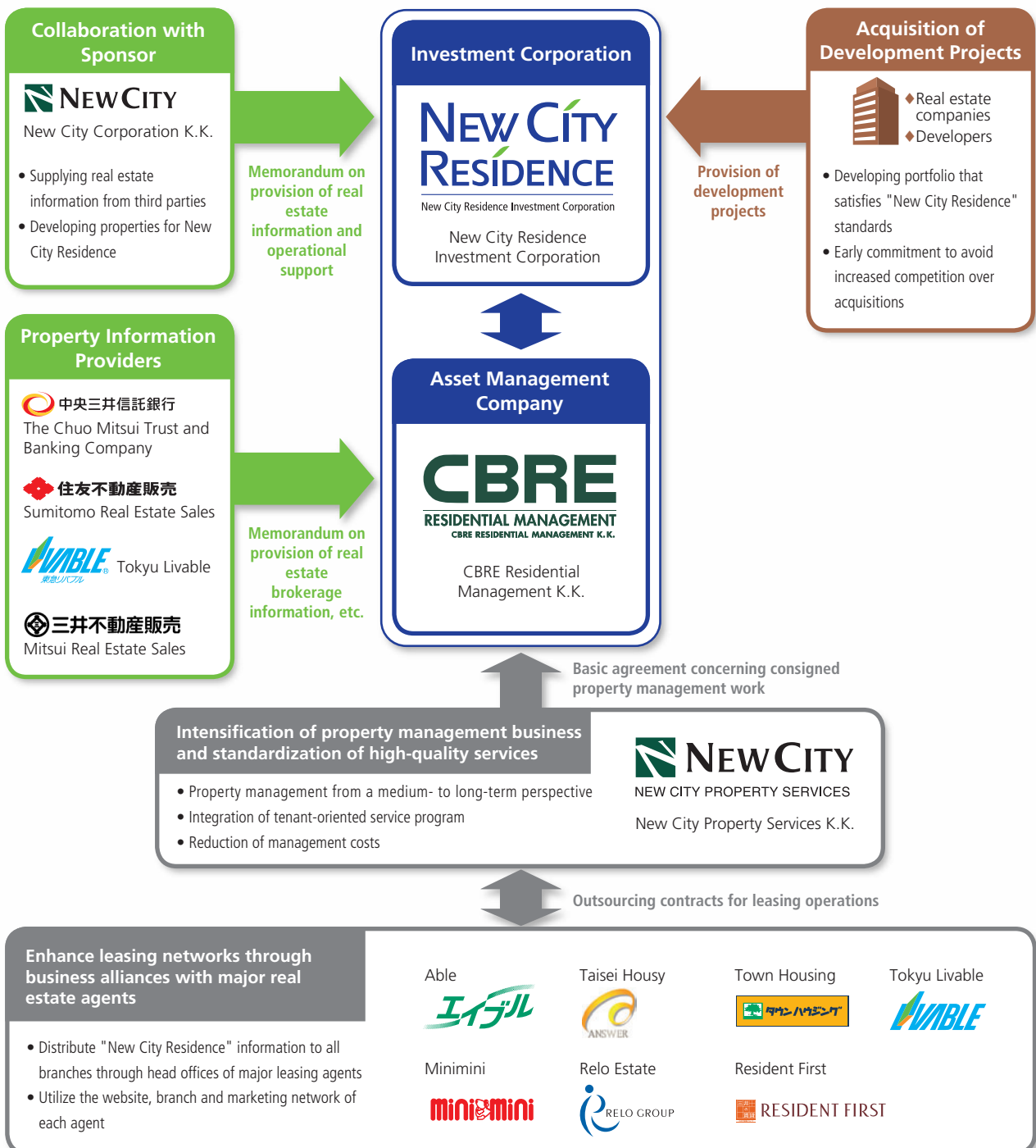
New City Reform

Unit renovations are provided under a central structure handling everything from orders to construction via New City Residence's property manager, New City Property Services K.K., and a partner company (within Tokyo Metropolitan Area and Osaka Area)

Collaboration Network

Our clearly defined collaboration network provides the backbone to our growth and includes: strategic pipelines as sources to excellent properties; an integrated property management services provided by New City Property Services K.K. for standardized, high-quality and economical management services; and business alliances with major real estate agents to maintain high occupancy rates.

Pipeline strategies



New City Residence Portfolio Core Assets

C-38 Catherina Mita Towersuite (New City Residence)



The largest property in our portfolio, this newly-built for-sale condominium consists of a 36-story tower and a 28-story tower. Of the combined 759 units from the two towers, New City Residence has acquired 264 units, or 34.5% of the total. The landmark property represents our strategy of investing in new and large-scale condominiums located in the center of major cities. It features good access to CBDs and principal commercial areas in Tokyo.



Features

- Sky Garden (West Ark)
- Library Lounge
- Owner's Studio
- City View Lounge (East Ark, 29F)
- Sky View Lounge (West Ark, 26F)
- Guest Room
- Parking facilities for 249 vehicles
- Concierge service
- Housemaid service (fee)
- Security systems and devices
- Various amenities including:
 - 24-hour air ventilation,
 - floor heating in living and dining rooms,
 - built-in water purifier,
 - dishwasher,
 - keyless security box



Acquisition price	JPY 16,200 million
Acquisition date	December 2006
Location	4-16-1, 16-2 Shiba, Minato Ward, Tokyo (2-minute walk from Mita Station on the Toei Subway Line)
Floors	36/B2 (East Ark) 28/B2 (West Ark)
Net rentable area	17,553.76m ²
Number of units	264 (East Ark 116, West Ark 148) Sectional ownership (percentage held: 34.5%)
Completion date	August 2006
Appraisal value *	JPY 16,300 million (CR 4.7%)

*Based on appraisal report as of date of acquisition. Cap rate is based on net cash flow.

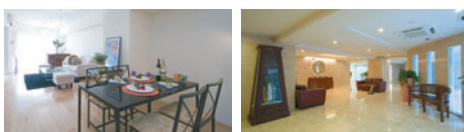
C-36 New City Residence Takanawa



A large-scale community housing with 169 units centering on urban family type, NCR Takanawa features high quality and superb specifications comparable to those of for-sale condominiums. It is located in Takanawa, a highly popular residential area in downtown Tokyo, and about one minute walk from Sengakuji subway station.

Acquisition price	JPY 10,995 million
Acquisition date	January 2006
Location	2-17-12 Takanawa, Minato Ward, Tokyo (1-minute walk from Sengakuji Station on the Toei Subway Line)
Floors	12
Net rentable area	10,408.26m ²
Number of units	169 (entire building)
Completion date	August 2005
Appraisal value*	JPY 11,000 million (CR 4.7%)

*Based on appraisal report as of date of acquisition. Cap rate is based on net cash flow.

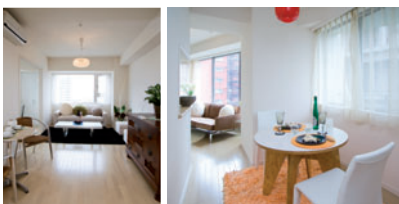


Features

- Concierge service
- Parking facilities for 96 vehicles
- Surveillance system
- Modern personal security systems and devices
- Broadband service
- Various amenities including:
 - 24-hour air ventilation,
 - floor heating in living and dining rooms,
 - temperature-controlled bath,
 - auto sensor entrance lighting

M-23 New City Residence Shinagawa Seaside Tower

A 25-story tower condominium, Shinagawa Seaside Tower features good access to JR Shinagawa station, where Shinkansen bullet trains stop, and Haneda Airport, which is a gateway to Tokyo. Located in the redevelopment area along the Tokyo Bay, it is surrounded by commercial facilities and sports clubs as well as office buildings and condominiums.



Acquisition price	JPY 9,350 million
Acquisition date	June 2006
Location	4-10-18, Higashi-Shinagawa, Shinagawa Ward, Tokyo (5-minute walk from Shinagawa Seaside Station on the Rinkai Line)
Floors	25
Net rentable area	12,732.35m ²
Number of units	208 (entire building)
Completion date	November 2005
Appraisal value*	JPY 9,350 million (CR 5.0%)

*Based on appraisal report as of date of acquisition. Cap rate is based on net cash flow.



Features

- Concierge service
- Parking facilities for 208 vehicles
- Surveillance system
- Modern personal security systems and devices
- Broadband service
- Various amenities including:
 - 24-hour air ventilation,
 - floor heating in living and dining rooms,
 - auto sensor entrance lighting

Portfolio Map



Chiyoda	
C-4	NCR Ochanomizu
C-20	NCR Shin-Ochanomizu
C-21	NCR Jinbocho
C-23	NCR Jinbocho II

Chuo	
C-8	NCR Nihonbashi East
C-9	NCR Nihonbashi West
C-10	NCR Ginza Twin I
C-11	NCR Ginza Twin II
C-18	NCR Nihonbashi Ningyocho I
C-19	NCR Nihonbashi Ningyocho II
C-22	NCR Nihonbashi Ningyocho III
C-24	NCR Ginza East III
C-28	NCR Nihonbashi Ningyocho IV
C-30	NCR Ginza East IV

C-34	NCR Ginza
C-35	NCR Nihonbashi Suitengu
C-37	NCR Higashi Nihonbashi

Minato	
C-1	NCR Minami Aoyama
C-2	NCR Nishi Azabu Twin Tower
C-3	NCR Nishi Azabu
C-13	NCR Mita
C-27	NCR Takanawadai
C-31	NCR Takanawadai II
C-32	NCR Minami Azabu
C-33	NCR Minami Azabu East
C-36	NCR Takanawa
C-38	Catherina Mita Towersuite (New City Residence)

Shibuya	
C-5	NCR Sangubashi
C-12	NCR Harajuku
C-14	NCR Yoyogi Uehara
C-15	NCR Sendagaya
C-26	NCR Sasazuka

Shinjuku	
C-6	NCR Shinjuku Ichibankan
C-7	NCR Shinjuku Nibankan
C-16	NCR Shinjuku 7-chome
C-17	NCR Ichigaya Sanaicho
C-25	NCR Shinjuku Gyoen I
C-29	NCR Shinjuku Gyoen II

New City Residence places high priority not only on value, location and age, but gives equal weight to the design, construction and livability of residential properties when considering acquisition. New City Residence properties offer extreme comfort and security. Focusing on the five central wards of Tokyo and high potential growth properties in the other 18 wards has enabled us to construct a strong portfolio full of profit-generating properties.



Tokyo 23 Wards

G-1	NCR Yokohama East
G-2	NCR Funabashi Honcho
G-3	SH Motosumiyoshi
G-4	NCR Toyoda
G-5	NCR Nishi Funabashi
G-6	NCR Maihama
G-7	NCR Ichikawamyoden
G-8	NCR Kumegawa
G-9	NCR Urayasu
G-10	NCR Minamigyotoku I
G-11	NCR Minamigyotoku II
G-12	NCR Nogeiyama
G-13	NCR Minamirinkan
G-14	NCR Shonan
G-15	LM Fuchinobe Honcho
G-16	LM Higashi Oume Daisan
G-17	Park Terrace Ichikawa
G-18	Park Terrace Shioyaki
G-19	Park Terrace Horie

R-1	NCR Odori-koen
R-2	Goshikiyama Heights
R-3	NCR Nishikoan
R-4	NCR Nishi Ohori
R-5	NCR Kakogawa
R-6	LM Maebashi Nishikatakai
R-7	Aprile Tarumi
R-9	Crest Kusatsu
R-10	NCR Honmachi East
R-11	NCR Shin-Umeda
R-12	NCR Shizuoka Takajo
R-13	NCR Abeno
R-14	NCR Otedori
R-16	NCR Nipponbashi Kouzu
M-2	NCR Todoroki
M-3	NCR Honjo Azumabashi
M-4	NCR Kitazawa
M-5	NCR Meguro

M-6	NCR Senzokukoan
M-8	NCR Monzennakacho
M-9	NCR Denenchofu
M-10	NCR Negishi
M-11	NCR Kamiikedai
M-12	NCR Otsuka
M-13	NCR Morishita
M-14	NCR Wakabayashi koan
M-15	NCR Asakusabashi
M-16	NCR Gakugeidaigaku
M-17	NCR Jiyugaoka
M-18	NCR Mejiro East
M-19	NCR Iriya
M-20	NCR Ikebukuro
M-21	NCR Kaname-cho
M-22	NCR Ueno Tower
M-23	NCR Shinagawa Seaside Tower
M-24	NCR Yakumo
M-26	NCR Togoshiginza

Portfolio List

As of end of 4th period (February 28, 2007)

No.	Property Name (Note 2)	Acquisition Price (million yen) (Note 3)	No. of Leasable Units (units) (Note 4)	Completed	Structure, Floor	Occupancy Rate at end of period (%) (Note 5)	Rental Revenue (thousand yen)	Percentage of Total Rental Revenue (%) (Note 6)
Tokyo Central 5 Wards (Note 1)								
C-1	NCR Minami Aoyama	3,783	62	Aug. 2002	RC, 14F	98.2	111,788	2.4
C-2	NCR Nishi Azabu Twin Tower	3,315	60	Mar. 2003	SRC, 15F/B1F	95.5	90,173	1.9
C-3	NCR Nishi Azabu	3,143	37	Mar. 2002	RC, 5F/B1F	95.4	92,568	2.0
C-4	NCR Ochanomizu	2,300	44	Aug. 2002	RC, 8F	93.8	61,514	1.3
C-5	NCR Sangubashi	1,734	26	Oct. 1998	RC, 4F/B1F	92.5	50,036	1.1
C-6	NCR Shinjyuku Ichibankan	1,978	105	May 2002	RC, 7F	98.1	64,444	1.4
C-7	NCR Shinjyuku Nibankan	889	41	Apr. 2002	RC, 6F	97.5	29,449	0.6
C-8	NCR Nihonbashi East	1,622	62	Apr. 2003	RC, 10F	96.5	47,299	1.0
C-9	NCR Nihonbashi West	1,480	55	Apr. 2003	SRC, 12F	97.7	44,202	0.9
C-10	NCR Ginza Twin I	1,133	40	Sep. 2003	RC, 12F	98.4	34,021	0.7
C-11	NCR Ginza Twin II	968	33	Sep. 2003	SRC, 12F	100.0	30,699	0.6
C-12	NCR Harajyuku	1,220	21	Sep. 2000	RC, 5F	100.0	33,375	0.7
C-13	NCR Mita	986	30	Feb. 2003	SRC, 11F	100.0	31,346	0.7
C-14	NCR Yoyogi Uehara	765	25	Oct. 2000	RC, 4F/B1F	100.0	23,928	0.5
C-15	NCR Sendagaya	695	21	Mar. 2000	RC, 4F	95.8	21,205	0.4
C-16	NCR Shinjyuku 7 Chome	626	23	Jan. 1995	RC, 5F/B1F	90.9	18,752	0.4
C-17	NCR Ichigaya Sanaicho	577	21	Sep. 2000	RC, 4F/B1F	90.0	16,416	0.3
C-18	NCR Nihonbashi Ningyocho I	1,230	32	Aug. 2004	SRC, 13F	96.8	40,837	0.9
C-19	NCR Nihonbashi Ningyocho II	1,290	38	Aug. 2004	SRC, 12F	100.0	41,790	0.9
C-20	NCR Shin-Ochanomizu	1,160	32	Jul. 2004	SRC, 10F/B1F	97.3	35,481	0.7
C-21	NCR Jinbocho	2,803	65	Sep. 2004	SRC, 12F	92.9	90,122	1.9
C-22	NCR Nihonbashi Ningyocho III	1,662	63	Dec. 2004	RC, 10F	90.4	51,136	1.1
C-23	NCR Jinbocho II	1,470	60	May 2004	RC, 11F	98.4	45,316	1.0
C-24	NCR Ginza East III	841	41	Jun. 2004	SRC, 12F	95.3	26,260	0.6
C-25	NCR Shinjyuku Gyoen I	3,140	108	Sep. 2003	SRC, 15F	100.0	90,004	1.9
C-26	NCR Sasazuka	3,050	90	Sep. 2004	RC, 10F	98.8	97,606	2.1
C-27	NCR Takanawadai	1,180	32	Feb. 2004	RC, 9F	96.9	30,778	0.7
C-28	NCR Nihonbashi Ningyocho IV	842	48	Apr. 2003	SRC, 13F	100.0	27,833	0.6
C-29	NCR Shinjyuku Gyoen II	580	27	Mar. 2004	RC, 10F	100.0	17,010	0.4
C-30	NCR Ginza East IV	510	20	Dec. 2003	SRC, 11F	95.0	17,613	0.4
C-31	NCR Takanawadai II	1,530	40	Sep. 2004	RC, 6F/B1F	92.8	41,991	0.9
C-32	NCR Minami Azabu	840	24	Jul. 2004	RC, 6F	86.4	22,469	0.5
C-33	NCR Minami Azabu East	1,260	40	Sep. 2005	RC, 9F	92.5	38,841	0.8
C-34	NCR Ginza	4,000	96	Oct. 2005	RC, 14F	99.1	96,708	2.0
C-35	NCR Nihonbashi Suitengu	3,332	88	Jul. 2005	SRC, RC, 12F	96.0	96,385	2.0
C-36	NCR Takanawa	10,995	169	Aug. 2005	SRC, 12F	95.7	279,601	5.9
C-37	NCR Higashi Nihonbashi	4,930	103	Feb. 2006	RC, 16F/B1F	99.2	60,148	1.3
C-38	Catherina Mita Towersuite (New City Residence)	16,200	264	Aug. 2006	RC, 28F/B2F RC, 36F/B2F	65.4	103,027	2.2
SUBTOTAL		90,059	2,186			91.1	2,152,191	45.4
Tokyo 23 Wards excluding Central 5 Wards (Note 1)								
M-1	NCR Meguro Mita (Note 8)	6,066	41	Sep. 2002	RC, 6F/B1F	-	68,021	1.4
M-2	NCR Todoroki	1,850	22	Mar. 1993	RC, 3F/B2F	94.9	57,356	1.2
M-3	NCR Honjo Azumabashi	1,122	35	Sep. 2003	SRC, RC, 14F	100.0	37,141	0.8
M-4	NCR Kitazawa	1,070	15	Jan. 2002	RC, 4F	80.0	26,420	0.6
M-5	NCR Meguro	1,050	26	Apr. 2000	RC, 7F	100.0	28,259	0.6
M-6	NCR Senzokukoen	921	19	Apr. 1995	RC, 3F	100.0	30,250	0.6
M-7	NCR Kyodo (Note 8)	715	24	May 1989	RC, 5F	-	9,422	0.2
M-8	NCR Monzennakacho	524	31	Sep. 2000	RC, 9F	100.0	20,909	0.4
M-9	NCR Denenchofu	511	17	Jul. 1995	RC, 3F	100.0	19,310	0.4
M-10	NCR Negishi	356	12	Jul. 2000	RC, 8F	92.1	11,541	0.2
M-11	NCR Kamiikedai	238	12	Mar. 2002	S, 4F	100.0	8,477	0.2
M-12	NCR Otsuka	1,290	54	Sep. 2004	SRC, 13F	92.8	44,049	0.9
M-13	NCR Morishita	985	38	Sep. 2004	RC, 11F	100.0	34,600	0.7
M-14	NCR Wakabayashi koen	970	23	Feb. 2004	RC, 4F	100.0	30,143	0.6
M-15	NCR Asakusabashi	870	32	Jan. 2005	RC, 9F	96.4	31,543	0.7
M-16	NCR Gakugeidaigaku	1,210	38	Apr. 2005	RC, 4F	92.1	39,495	0.8
M-17	NCR Jiyugaoka	1,470	40	Apr. 2004	RC, 5F	95.5	43,220	0.9
M-18	NCR Mejiro East	1,080	29	Apr. 2005	RC, 8F	100.0	34,968	0.7
M-19	NCR Iriya	675	22	Jun. 2005	SRC, 12F	100.0	23,526	0.5
M-20	NCR Ikebukuro	3,227	87	Jan. 2005	SRC, 14F	96.0	93,652	2.0

No.	Property Name (Note 2)	Acquisition Price (million yen) (Note 3)	No. of Leasable Units (units) (Note 4)	Completed	Structure, Floor	Occupancy Rate at end of period (%) (Note 5)	Rental Revenue (thousand yen)	Percentage of Total Rental Revenue (%) (Note 6)
M-21	NCR Kaname-cho	1,360	73	Aug. 2005	RC, 13F	100.0	39,711	0.8
M-22	NCR Ueno Tower	2,990	102	Feb. 2005	SRC, 14F/B1F	97.0	98,336	2.1
M-23	NCR Shinagawa Seaside Tower	9,350	208	Nov. 2005	RC, 25F/B2F	95.3	231,598	4.9
M-24	NCR Yakumo	1,160	18	Nov. 2005	RC, 3F/B1F	94.5	14,265	0.3
M-26	NCR Togoshiginza	1,960	80	May 2006	RC, 10F	100.0	17,297	0.4
SUBTOTAL		43,020	1,098			96.6	1,093,522	23.1
Greater Tokyo excluding Tokyo 23 Wards (Note 1)								
G-1	NCR Yokohama East	6,753	228	Mar. 2003	RC, 21F	98.8	227,883	4.8
G-2	NCR Funabashi Honcho	1,083	86	Mar. 1997	SRC, 10F/B1F	100.0	44,376	0.9
G-3	SH Motosumiyoshi	1,058	57 (73) (Note 7)	Apr. 1991	RC, 7F/B1F	91.4	55,781	1.2
G-4	NCR Toyoda	1,053	67	Jun. 1992	SRC, 8F	98.4	44,381	0.9
G-5	NCR Nishi Funabashi	997	81	Mar. 2001	SRC, 10F	97.5	35,223	0.7
G-6	NCR Maihama	844	61	Mar. 2003	RC, 6F	94.9	31,409	0.7
G-7	NCR Ichikawamyoden	769	58	Mar. 2003	RC, 5F	100.0	26,886	0.6
G-8	NCR Kumegawa	715	31	Dec. 1999	SRC, 7F	93.8	23,708	0.5
G-9	NCR Urayasu	653	51	Feb. 2003	RC, 5F	100.0	22,948	0.5
G-10	NCR Minamigyotoku I	648	49	Mar. 2003	RC, 5F	93.9	21,060	0.4
G-11	NCR Minamigyotoku II	447	35	Mar. 2003	RC, 6F	82.9	14,801	0.3
G-12	NCR Nogeyama	469	30	Sep. 2000	RC, 6F	100.0	16,102	0.3
G-13	NCR Minamirinkan	456	29	Apr. 2002	RC, 8F	96.5	16,667	0.4
G-14	NCR Shonan	445	19	Feb. 2000	RC, 3F	94.7	16,063	0.3
G-15	LM Fuchinobe Honcho	222	15 (26) (Note 7)	Aug. 1991	SRC, RC, 9F	79.5	7,450	0.2
G-16	LM Higashi Oume Daisan	175	33 (61) (Note 7)	May 1992	RC, 7F	79.5	5,690	0.1
G-17	PT Ichikawa	620	40	Apr. 2004	RC, 9F	100.0	19,852	0.4
G-18	PT Shioyaki	310	36	Apr. 1993	RC, 3F	88.9	14,478	0.3
G-19	PT Horie	193	22	Mar. 1991	RC, 3F	85.6	7,967	0.2
SUBTOTAL		17,910	1,028			96.0	652,731	13.8
Regional Cities (Note 1)								
R-1	NCR Ohdori-koen	726	40	Oct. 2000	RC, 9F/B1F	74.7	23,939	0.5
R-2	Goshikiyama Heights	720	33	Aug. 1993	RC, 7F	100.0	28,258	0.6
R-3	NCR Nishikoan	379	30	Oct. 2000	RC, 11F	100.0	18,164	0.4
R-4	NCR Nishi Ohori	258	17	May 2000	RC, 5F	100.0	11,084	0.2
R-5	NCR Kakogawa	274	34	Sep. 2000	RC, 3F	85.3	15,761	0.3
R-6	LM Maebashi Nishikatakai	202	23 (40) (Note 7)	Feb. 1992	RC, 6F	96.0	9,116	0.2
R-7	Aprile Tarumi	1,710	99	Jan. 2003	RC, 12F	100.0	62,148	1.3
R-8	NCR Uehonmachi (Note 8)	855	30	Jul. 2004	RC, 11F	-	11,325	0.2
R-9	Crest Kusatsu	3,830	540	Feb. 1999	RC, 11F/B2F	100.0	158,898	3.4
R-10	NCR Honmachi East	1,740	117	Feb. 2005	RC, 15F	93.1	64,067	1.4
R-11	NCR Shin-Umeda	1,640	108	Feb. 2005	RC, 11F	92.3	60,705	1.3
R-12	NCR Shizuoka Takajo	770	45	Feb. 2006	RC, 12F	93.3	32,463	0.7
R-13	NCR Abeno	5,400	153	Jan. 2006	SRC, 15F	97.4	169,766	3.6
R-14	NCR Otedori	382	31	Jan. 2006	RC, 11F	84.3	13,798	0.3
R-16	NCR Nipponbashi Kouzu	4,780	262	Jan. 2006	RC, 14F/B1F	97.5	156,805	3.3
SUBTOTAL		23,666	1,562			96.1	836,302	17.7
TOTAL		174,655	5,874			94.2	4,734,746	100.0

Note 1: "Tokyo Central Five Wards" comprises Minato Ward, Shibuya Ward, Shinjuku Ward, Chiyoda Ward and Chuo Ward. The "Tokyo 23 Wards excluding Central Five Wards" comprises all 23 wards of Tokyo excluding the aforementioned five wards. The "Greater Tokyo excluding Tokyo 23 Wards" comprises Tokyo Prefecture excluding the 23 Wards of Tokyo, and Kanagawa, Chiba, and Saitama Prefectures. "Regional Cities" comprises all other areas excluding the aforementioned.

Note 2: Under "Property Name," "NCR" is the acronym for New City Residence, "LM" for Lions Mansion, "SH" for Sonnen Heim and "PT" for Park Terrace.

Note 3: The Acquisition price column has the acquisition price of already acquired assets entered.

Note 4: The No. of Leasable Apartments column indicates the leasable apartments of individual real estate and trust real estate as of February 28, 2007. The number of units included in the portfolio after the public offering is indicated for the compartmentalized ownership properties.

Note 5: The Occupancy column indicates the ratio that the leased floor space of individual real estate and trust real estate comprises of their total leasable floor spaces and the data as of February, 2007.

Note 6: The Percentage of Total Rental Revenue figures rounded to the first decimal place.

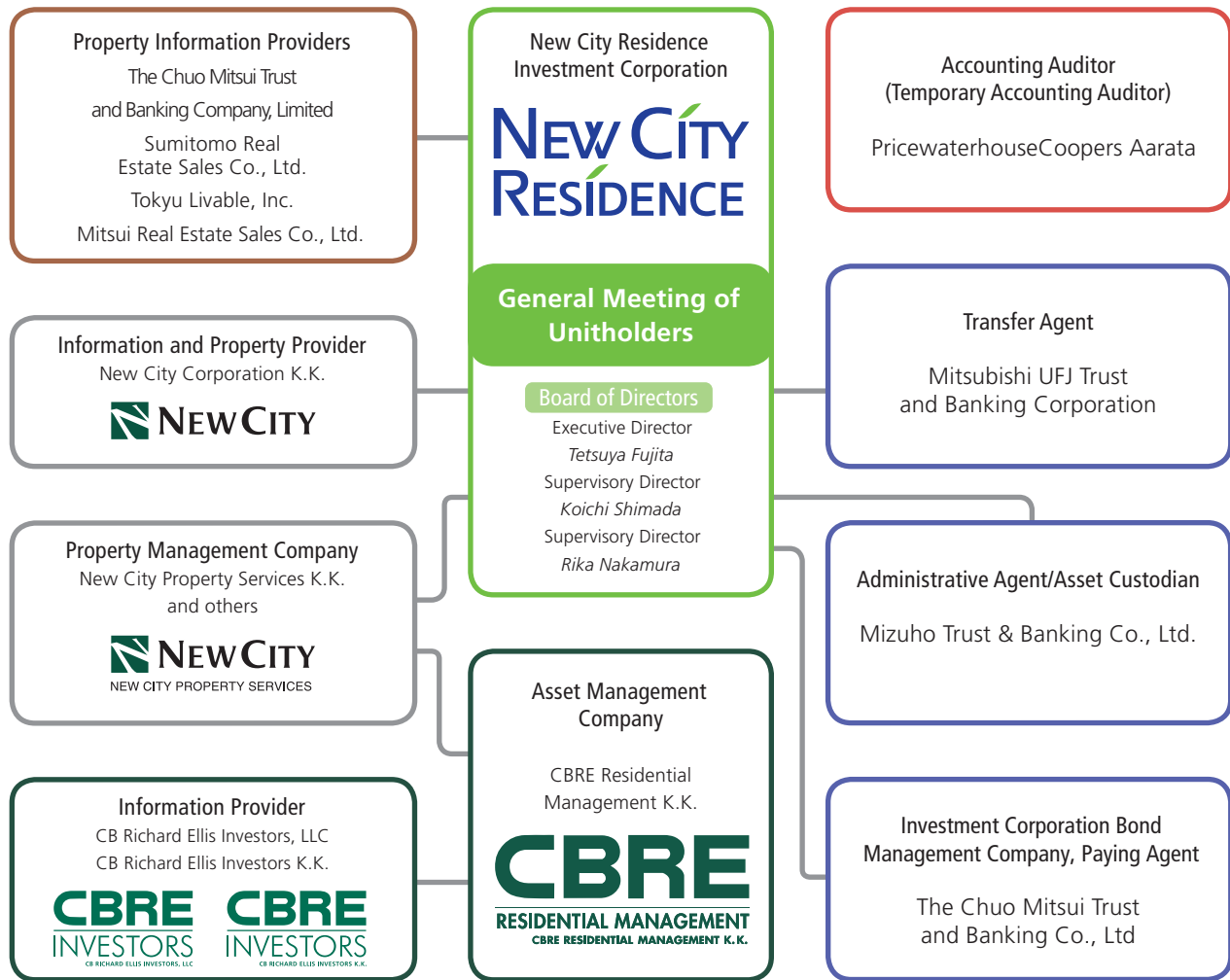
Note 7: The No. of Leasable Apartments column for the following compartmentalized ownership buildings has the number of apartments included in acquired assets and planned acquisition assets entered with the number of apartments for the entire building entered in the parentheses. SH Motosumiyoshi, LM Fuchinobe Honcho, LM Higashi Oume Daisan and LM Maebashi Nishikatakai.

Note 9: M-1 (NCR Meguro Mita), M-7 (NCR Kyodo) and R-8 (NCR Uehonmachi) were sold on October 31, 2006. Figures entered in the above Rental Revenue and Percentage of Total Rental Revenue columns are for the two months from September 1 to October 31, 2006.

Note 10: Figures indicated in the above table are rounded off to the last indicated figure. As such, the sum of the individual items may not add up to the subtotal or total.

Overview of New City Residence

Investment Corporation Structure



Notes to the Investment Corporation Structure

ASSET MANAGEMENT COMPANY: CBRE Residential Management K.K. provides services including matters relating to the management of investment assets and the procurement of funds by New City Residence, submitting reports on investment assets to New City Residence and establishing asset management plans.

ADMINISTRATIVE AGENT/ASSET CUSTODIAN: Mizuho Trust & Banking Co., Ltd. undertakes administration related to the issue of investment units, administration of accounting matters and tax payments, preparation of accounting records and financial statements and other services.

TRANSFER AGENT: Mitsubishi UFJ Trust and Banking administers the register of unitholders and payment of distributions to unitholders under the storage transfer system of the Japan Securities Depository Center, Inc., and provides certain other

services concerning unitholders.

INVESTMENT CORPORATION BOND MANAGEMENT COMPANY AND PAYING AGENT: The Chuo Mitsui Trust and Banking Co., Ltd. receives payments, preserves debt, conducts management functions related to investment corporation bonds, and to repayment of principal to the investment corporation creditor of the investment corporation bonds and the payment of interest on these bonds.

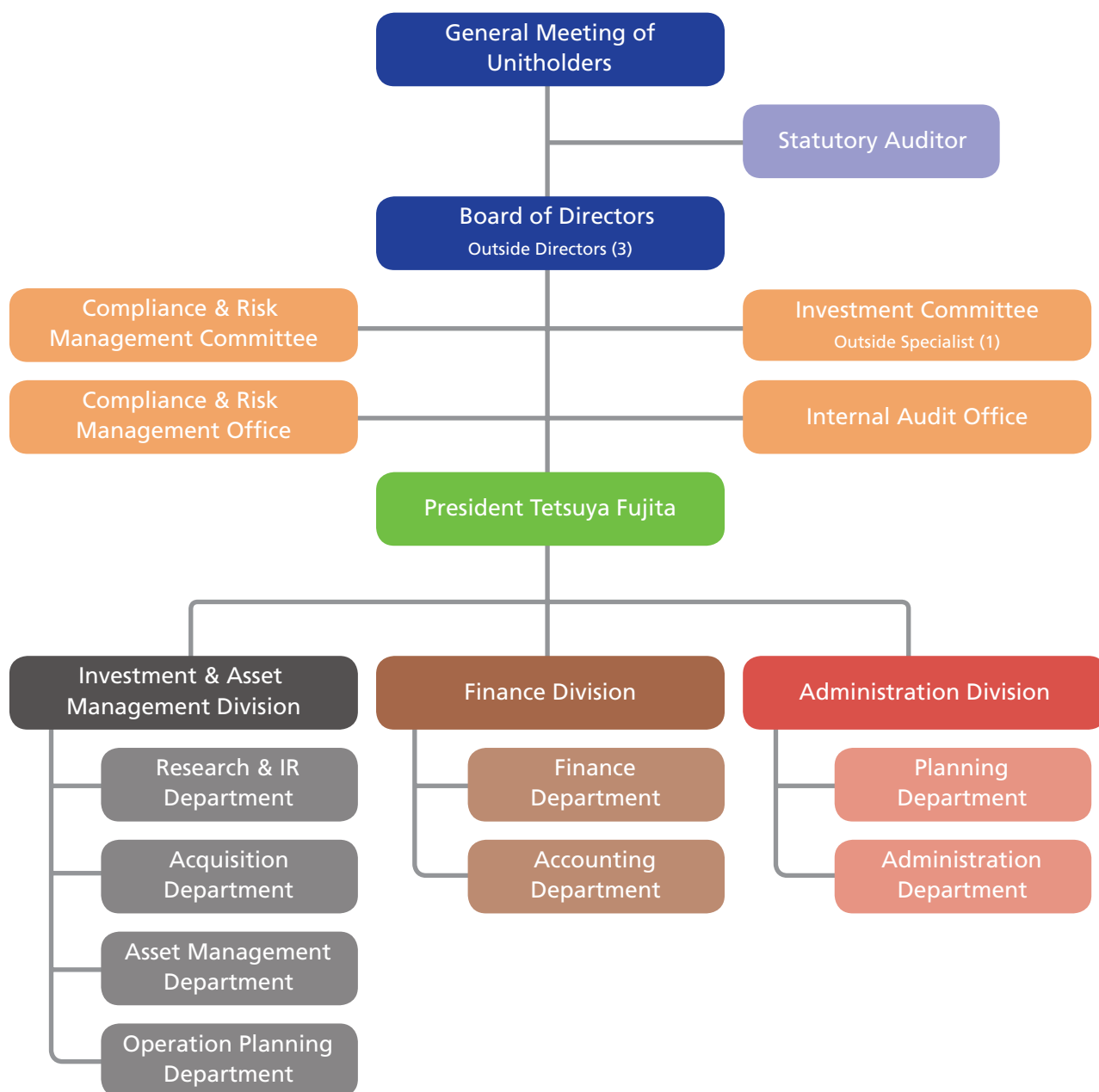
INFORMATION AND PROPERTY PROVIDER: New City Corporation K.K. provides New City Residence with real estate information concerning properties for acquisition, in addition to other business support.

INFORMATION PROVIDER: CB Richard Ellis Investors LLC and CB Richard Ellis Investors K.K. provide certain information and advice in support of CBRE Residential Management K. K.

PROPERTY MANAGEMENT COMPANY: New City Property Services K.K. and other companies provide services including the administration of repairs, maintenance, renovation, improvements and inspection on a limited basis, the purchase and supervision of installation and related work regarding equipment, fixtures, materials and consumables; leasing management service administration; lease execution and maintenance, and collection of lease payments and overdue rent.

PROPERTY INFORMATION PROVIDER: The Chuo Mitsui Trust and Banking Company, Limited, Sumitomo Real Estate Sales Co., Ltd., Tokyu Livable, Inc. and Mitsui Real Estate Sales Co., Ltd. provide information relating to real estate held by, or to be developed and held by third parties.

Organizational Chart of Asset Management Company



Governance for Conflicts of Interest

A three-layer check system, including outside personnel, has been established to monitor transactions between interested parties. Interested parties are defined in Article 15-2 of the Investment Trust Law of Japan as shareholders with a 10% or more share of the asset management company, or those who have established special-purpose vehicles on behalf of asset management affiliates.



In addition to the efforts to conform to legal requirements, the asset management company has established provisions in its internal rules that relate to behavior and transactions with extended interested parties, including the Management Guidelines and the Committee Rules. These provisions have been established to better allow the asset management company to fulfill its responsibilities in the management of investment assets.



Selective Financial Data

Operating Results and Asset Status	Unit	4th Fiscal Period	3rd Fiscal Period	2nd Fiscal Period	1st Fiscal Period
		Feb. 2007	Aug. 2006	Feb. 2006	Aug. 2005
Operating revenues	Millions of yen	5,678	4,201	3,346	3,224
(Real estate rental revenues)	Millions of yen	(4,734)	(4,201)	(3,346)	(3,224)
Operating expenses	Millions of yen	2,527	2,125	1,607	1,485
(Property operating expenses)	Millions of yen	(1,856)	(1,559)	(1,209)	(1,143)
Operating income	Millions of yen	3,151	2,075	1,739	1,738
Ordinary income	Millions of yen	2,442	1,635	1,435	1,151
Net income (a)	Millions of yen	2,437	1,630	1,433	1,146
Total assets (b)	Millions of yen	181,509	164,094	135,663	104,678
Total unitholders' equity (c)	Millions of yen	88,242	66,756	66,539	40,503
Unitholders' capital	Millions of yen	85,791	65,106	65,106	39,357
Investment units outstanding (d)	Unit	164,068	122,612	122,612	74,556
Total unitholders' equity per unit	JPY	537,843	544,451	542,687	543,268
Total distributions (e)	Millions of yen	2,437	1,630	1,433	1,146
Distribution per unit (e)/(d)	JPY	14,858	13,302	11,692	15,381
(Portion of distribution of earnings per unit)	JPY	(14,858)	(13,302)	(11,692)	(15,381)
(Portion of distribution in excess of earnings per unit)	JPY	(-)	(-)	(-)	(-)
Ordinary income to total assets (Note 2)	%	1.4 (2.9)	1.1 (2.2)	1.2 (2.4)	1.6 (2.2)
Return on total unitholders' equity (Note 2)	%	3.1 (6.3)	2.4 (4.9)	2.7 (5.4)	2.9 (4.1)
Equity ratio (c)/(b)	%	48.6	40.7	49.0	38.7
Payout ratio (e)/(a)	%	99.9	100.0	99.9	99.9
[Other reference information]					
No. of properties	Property	94	93	86	77
Gross leasable floor space	m ²	246,553.52	227,310.83	183,722.52	153,429.01
End-of-period occupancy rate	%	94.2	92.3	94.6	91.7
Depreciation and amortization	Millions of yen	737	651	500	510
Capital expenditure	Millions of yen	29	65	46	40
NOI from leasing (Note 2)	Millions of yen	3,615	3,293	2,637	2,591
Debt service coverage ratio (DSCR) (Note 2)	Times	7.6	7.4	12.7	9.3
Funds from operation (FFO) per unit (Note 2)	JPY	19,351	18,616	15,774	22,231
Funds from operation (FFO) (multiple) (Note 2)	Times	15.5	13.6	16.9	18.3
Total interest-bearing liabilities	Millions of yen	90,300	94,600	66,900	62,200
End-of-period ratio of interest-bearing liabilities to total assets (Note 2)	%	49.7	57.6	49.3	59.4
Management period	Days	181	184	181	260

Note 1 Monetary figures are rounded down to the digit indicated. Figures for each comparison, etc. are rounded to the tenth place. The payout ratio is also rounded down to the tenth place.

Note 2 Denoted indicators are calculated utilizing the methods described below. In addition, annualized figures from the management period are indicated in parentheses. The actual management of the first fiscal period started on December 15, 2004 and ordinary income to total assets and return on total unitholders' equity are calculated with December 15, 2004 as the start of the period.

Ordinary income to total assets	Operating income/Average assets Average assets = (Total assets at start of period + Total assets at end of period) / 2
Return on total unitholders' equity	Net income/Average unitholders' equity Average unitholders' equity = (Unitholders' equity at start of period + Unitholders' equity at end of period) / 2
NOI from leasing	Rental business income (Rental revenues - Property operating expenses) + Depreciation and amortization
DSCR	Net income before interest, depreciation and amortization / Interest payments
FFO per unit	(Net income + Depreciation and amortization) / Investment units outstanding
FFO multiple	Investment unit price at end of period / Annualized FFO per unit
End-of-period ratio of interest-bearing liabilities to total assets	Interest-bearing liabilities at end of period / Total assets at end of period



NEW CITY RESIDENCE
New City Residence Investment Corporation

Financial Statements

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Auditors Report



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Report of Independent Auditors

To the Board of Directors of New City Residence Investment Corporation

We have audited the accompanying balance sheets of New City Residence Investment Corporation (the "Company") as of February 28, 2007 and August 31, 2006, and the related statements of income, changes in unitholders' equity and cash flows for each of the six months ended February 28, 2007 and August 31, 2006, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of February 28, 2007 and August 31, 2006, and the results of its operations and its cash flows for the six months ended February 28, 2007 and August 31, 2006, in conformity with accounting principles generally accepted in Japan.

As disclosed in Note 17, the Company transferred the trust beneficiary right of a property and issued investment corporation bonds to repay certain borrowings.

August 10, 2007

Balance Sheets

Item	As of February 28, 2007		As of August 31, 2006	
	Thousands of yen		Thousands of yen	
Assets				
Current assets:				
Cash and bank deposits	¥	4,713,872	¥	3,624,190
Cash and bank deposits in trust (Note 5)		3,885,406		3,835,147
Rental receivables		136,718		125,735
Prepaid expenses		47,387		58,439
Advanced money		700,000		1,218,000
Consumption tax refundable		-		46,449
Other current assets		24,134		17,456
Allowance for doubtful receivables		(3,616)		(2,075)
Total current assets		9,503,902		8,923,342
Fixed assets:				
Property and equipment, at cost:				
Land including trust accounts (Notes 4, 5)		107,527,140		96,910,550
Buildings including trust accounts (Notes 4, 5)		63,284,072		56,817,484
Other tangible assets including trust accounts (Notes 4, 5)		2,182,453		1,935,503
Accumulated depreciation (Note 4)		(2,280,442)		(1,662,973)
Total property and equipment		170,713,224		154,000,564
Intangible assets:				
Leasehold interests in trust		913,996		913,996
Other intangible assets		5,252		5,429
Total intangible assets		919,248		919,425
Investments and other assets				
Deposits		10,274		10,274
Long-term prepaid expenses		116,156		95,642
Reserve for repairs and maintenance		181,632		65,435
Derivative assets		28,871		31,348
Total investments and other assets		336,934		202,701
Total fixed assets		171,969,407		155,122,691
Deferred assets				
Bond issuance costs		36,604		48,806
Total deferred assets		36,604		48,806
Total assets	¥	181,509,914	¥	164,094,839
Liabilities and Unitholders' Equity				
Liabilities				
Current liabilities:				
Trade payables	¥	255,079	¥	162,516
Short-term loan payable (Note 7)		25,300,000		33,500,000
Long-term loan payable due within one year (Note 7)		12,200,000		10,200,000
Other payables		382,161		327,937
Accrued expenses		155,213		120,506
Consumption taxes payable		32,675		-
Accrued income taxes		4,983		605
Rents received in advance		436,150		383,743
Deferred tax liabilities		11,038		-
Other current liabilities		13,381		48,678
Total current liabilities		38,790,684		44,743,987
Long-term liabilities				
Investment corporation bonds (Note 8)		14,000,000		14,000,000
Long-term loan payable (Note 7)		38,800,000		36,900,000
Deferred tax liabilities		-		12,348
Leasehold and security deposits		217,062		127,520
Leasehold and security deposits in trust		1,455,701		1,554,656
Derivative liabilities		3,592		-
Total long-term liabilities		54,476,356		52,594,525
Total liabilities		93,267,040		97,338,513
Unitholders' Equity (Note 6)				
Unitholders' capital		85,791,179		65,106,293
Units authorized: 2,000,000 units				
Units issued and outstanding: 164,068 units and 122,612 units as of February 28, 2007 and August 31, 2006, respectively				
Unappropriated income		2,437,788		1,631,032
Unrealized gain				
Unrealized gain from deferred hedge transactions		13,906		19,000
Total unitholders' equity		88,242,874		66,756,326
Total liabilities and unitholders' equity	¥	181,509,914	¥	164,094,839

The accompanying notes are an integral part of these financial statements.

Statements of Income

Item	For the six months ended	For the six months ended
	February 28, 2007	August 31, 2006
	Thousands of yen	Thousands of yen
Operating Revenues:		
Rental revenues (Note 9)	¥ 4,734,746	¥ 4,201,057
Gain on sale of properties (Note 10)	944,147	-
Total operating revenues	5,678,893	4,201,057
Operating Expenses:		
Property operating expenses (Note 9)	1,856,401	1,559,231
Asset management fees	462,192	398,530
Custodian fees	10,704	7,561
Administrative service fees	27,212	22,939
Officers' salaries	4,200	4,200
Other operating expenses	166,782	132,940
Total operating expenses	2,527,493	2,125,403
Operating income	3,151,400	2,075,654
Non-Operating Income		
Interest income	805	197
Other non-operating income	1,907	1,886
Non-Operating Expenses		
Interest expense on loans	371,280	240,258
Financing related expenses	123,257	73,871
Interest expense on bonds	110,903	113,899
Unit issuance costs	88,544	-
Amortization of bond issue costs	12,201	12,201
Other non-operating expenses	5,505	2,369
Ordinary income	2,442,420	1,635,136
Income before income taxes	2,442,420	1,635,136
Income taxes: (Note 12)		
Current	5,012	4,128
Deferred	(333)	42
Net income	2,437,740	1,630,965
Income carried forward	47	67
Unappropriated income	¥ 2,437,788	¥ 1,631,032

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Unitholders' Equity

For the six months ended August 31, 2006 and February 28, 2007

	Unitholders' capital	Unappropriated income	Unrealized gain from deferred hedge transactions	Total
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Balance as of February 28, 2006	¥ 65,106,293	¥ 1,433,646	¥ -	¥ 66,539,940
Cash dividends paid	-	(1,433,579)	-	(1,433,579)
Net income	-	1,630,965	-	1,630,965
Changes in unrealized gain on interest-rate swap	-	-	19,000	19,000
Balance as of August 31, 2006	65,106,293	1,631,032	19,000	66,756,326
New unit issuance	20,684,885	-	-	20,684,885
Cash dividends paid	-	(1,630,984)	-	(1,630,984)
Net income	-	2,437,740	-	2,437,740
Changes in unrealized gain on interest-rate swap	-	-	(5,093)	(5,093)
Balance as of February 28, 2007	¥ 85,791,179	¥ 2,437,788	¥ 13,906	¥ 88,242,874

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Item	For the six months ended February 28, 2007		For the six months ended August 31, 2006	
	Thousands of yen		Thousands of yen	
Cash Flows from Operating Activities				
Income before income taxes	¥	2,442,420	¥	1,635,136
Depreciation		737,301		651,652
Amortization of long-term prepaid expenses		39,552		35,503
Amortization of bond issuance costs		12,201		12,201
Interest income		(805)		(197)
Interest expense		482,183		354,158
Unit issuance costs		88,544		-
(Increase) Decrease of rental receivables		(9,798)		(23,560)
(Increase) Decrease of consumption tax refundable		46,449		(15,323)
Increase (Decrease) of trade payables		92,562		(12,649)
Increase (Decrease) of other payables		61,057		111,527
Increase (Decrease) of consumption tax payable		32,675		-
Increase (Decrease) of rents received in advance		52,406		118,133
Long-term prepaid expenses		(60,066)		-
Decrease of property and equipment due to sale (including trust accounts)		7,706,296		-
Others, net		(86,059)		(27,891)
Subtotal		11,636,922		2,838,689
Interest income received		805		190
Interest expense paid		(447,477)		(290,636)
Income taxes paid		(634)		(4,962)
Net cash provided by operating activities		11,189,615		2,543,281
Cash Flows from Investing Activities				
Purchases of property and equipment in trust		(16,661,391)		(9,894,496)
Purchases of property and equipment		(7,294,971)		(17,912,409)
Payments for advanced money		(700,000)		(1,218,000)
Purchases of intangible assets		(245)		(2,308)
Payments for deposits		-		(100)
Proceeds from leasehold and security deposits in trust		277,060		264,210
Payments for leasehold and security deposits in trust		(313,338)		(132,931)
Payments for restricted bank deposits in trust		(283,119)		(288,485)
Proceeds from restricted bank deposits in trust		423,981		136,855
Proceeds from leasehold and security deposits		103,286		149,511
Payments for leasehold and security deposits		(3,692)		(3,276)
Payments for restricted bank deposits		(132,678)		(151,297)
Proceeds from restricted bank deposits		16,380		3,278
Payments for reserve for repairs and maintenance		(121,738)		(3,435)
Net cash used in investing activities		(24,690,468)		(29,052,885)
Cash Flows from Financing Activities				
Proceeds from short-term loan payable		25,300,000		27,700,000
Repayment of short-term loan payable		(33,500,000)		-
Proceeds from long-term loan payable		17,700,000		-
Repayment of long-term loan payable		(13,800,000)		-
Proceeds from issuance of units		20,684,885		-
Payments of unit issuance costs		(88,544)		-
Payment of dividends		(1,630,984)		(1,433,579)
Net cash provided by investing activities		14,665,356		26,266,420
Net change in cash and cash equivalents		1,164,504		(243,183)
Cash and cash equivalents at the beginning of period		5,673,658		5,916,841
Cash and cash equivalents at the end of period (Note 3)	¥	6,838,162	¥	5,673,658

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Organization and Basis of Presentation

◆Organization

New City Residence Investment Corporation (“NCRI”) was established on September 27, 2004 and is based on the Investment Trust and Investment Corporation Law (Law No. 198 in 1951, including amendments thereafter; hereafter, “ITL”). On December 15, 2004, NCRI listed in the Real Estate Investment Trust section of the Tokyo Stock Exchange (TSE), Securities Code: 8965. NCRI is dedicated to the management of residential properties.

Asset management services are provided by CBRE Residential Management K.K. (the “Asset Manager”). The Asset Manager is composed of the following shareholders: CB Richard Ellis Investors K.K. (42.5%), New City Corporation K.K. (42.5%), CSK Holdings Corporation (10.0%), Mizuho Trust and Banking Co., Ltd (2.5%), and Mitsubishi UFJ Trust and Banking Corporation (2.5%).

Since NCRI went public, it has increased its property holdings. As of the end of February 2007, NCRI owns a total of 94 properties worth 167 billion yen (approximately 2.7 times its IPO level).

NCRI posted the following performance in the fiscal period audited: 5,678 million yen in operating revenues, 3,151 million yen in operating income, 2,442 million yen in ordinary income, and 2,437 million yen in net income. As a result, the dividend per unit has been set at 14,858 yen.

◆Basis of presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law, and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English from the financial statements of NCRI prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. In preparing the accompanying financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format that is more familiar to readers outside Japan.

Amounts less than 1 thousand yen have been omitted. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances .

2. Summary of Significant Accounting Policies

◆Cash and cash equivalents

Cash and cash equivalents presented in statement of cash flows consist of cash on hand, cash held in trust, deposits that can be withdrawn at any time, and short-term investments with maturities of three months or less from the date of acquisition. Cash and cash equivalents are readily convertible and represent only minimal risk of value fluctuation.

□

◆Property and equipment (including assets held in trust)

Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method. Estimated useful lives of principal property and equipment are as follows:

Buildings	2–65 years
Structures	10–65 years
Machinery and equipment	17–30 years
Tools, furniture and fixtures	2–15 years

◆Intangible assets

Other intangible assets are depreciated using the straight-line method.

◆ Long-term prepaid expenses

Long-term prepaid expenses are depreciated using the straight-line method and are comprised of deferred financing costs and other items.

◆ New investment unit issuance costs

Costs related to the issuance of new investment units are treated as period expenses. Furthermore, the issuance of new investment units through a public offering on November 22, 2006 was conducted under an underwriting agreement in which a security company underwrote the shares at an issue price and then sold the shares to general investors at an offer price different from the issue price (known as the “spread method”).

In the spread method, the proceeds from the difference between the issue and offer price belong to the underwriter. Therefore, NCRI does not pay the underwriter an underwriting commission. At the time of the public offering on November 22, 2006, the difference between the issue price and offer price was 739,200 thousand yen. If the underwriting agreement had been such that the securities underwriter had conducted the underwriting at the issue price, and if the new investment units had been offered to general investors at an identical offer price (conventional method), this amount would have been treated as issuance costs. Consequently, under the spread method, there are no issuance costs recorded on the Statements of Income and retained earnings of the financial statements, and as a result, issuance costs are 739,200 thousand yen lower, compared to the conventional method. Ordinary income and income before income taxes increased by this amount, compared with the conventional method.

◆ Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized over three years.

◆ Allowances

To cover possible credit losses, an allowance for doubtful receivables is provided for any amount deemed uncollectible. The allowance is calculated on the basis of historical default rates for normal claims or on the basis of individual assessments on specific claims on debtors threatened with bankruptcy.

◆ Revenue recognition

Real estate rental revenue is recognized on an accrual basis based on the lease agreement.

◆ Property-related taxes

Property-related taxes including city planning taxes, depreciable property taxes, and other taxes are imposed on property on a calendar year basis. The amount of such taxes assessed in the period is charged to income as property operating expenses. Under the Japanese tax rule, the seller of the property at the time of disposal is liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. In accordance with Japanese business practice, the seller, however, is reimbursed by the purchase of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. NCRI is allocated the portion of the property-related taxes for the period from the purchase date of each property through the end of the calendar year. Capitalized property-related taxes are 1,190 thousand yen for the period ended February 28, 2007 and 13,040 thousand yen for the period ended August 31, 2006, respectively.

◆ Derivatives and hedge accounting

The derivative transactions utilized by NCRI are interest rate swaps. Pursuant to NCRI’s policy on interest rate swap transactions, NCRI enters into derivative transactions solely for the purpose of hedging the risks of interest rate fluctuations, which is defined in the Article of Incorporation of NCRI, and does not enter into such transactions for speculative or trading purposes.

Derivative transactions are measured at fair value. Gains and losses on derivatives are deferred until maturity of the hedged transactions and are recognized as either an asset or liability (known as “deferred hedge treatment”).

Although deferred hedge treatment has been adopted, NCRI has applied the “simplified method” since September 1, 2006 in accordance with the amended ITL (effective beginning on May 1, 2006) to interest rate swaps that were executed after the effective date of the amended ITL. Under the simplified method, interest rate swaps are not measured at fair value, but the net amount to be paid or received under the swap agreements are recognized and included in interest expense or income as incurred. Consequently, liabilities decreased by 43,881 thousand yen compared to those based on the former accounting method, and unitholders’ equity increased by this amount for the six months ended February 28, 2007. There is no impact to net income. NCRI evaluates the effectiveness of hedging instruments by comparing the cumulative fluctuations in cash flows of the hedged items with that of hedging instruments. However, hedge effectiveness is not evaluated for interest rate swap transactions that meet the criteria for the simplified method.

◆Accounting method for beneficiary interests in trust assets including real estate

Regarding trust beneficiary rights in trust assets, including real estate, all asset and liability accounts within the trust assets and all income and expense accounts generated by or incurred from the trust assets are recorded in the relevant account items of the balance sheets and the statement of income and retained earnings.

◆Accounting for consumption taxes

Consumption taxes are excluded from transaction amounts. However, non-deductible consumption taxes on fixed assets are included in the acquisition costs of the respective assets.

3. Cash and Cash Equivalents

Cash and cash equivalents as of February 28, 2007 and August 31, 2006 consisted of the following:

	(Thousands of yen)	
	As of February 28, 2007	As of August 31, 2006
Cash and bank deposits	¥4,713,872	¥3,624,190
Cash and bank deposits in trust	3,885,406	3,835,147
Bank deposits retained for repayment of leasehold and security deposits	(264,317)	(148,019)
Bank deposits in trust retained for repayment of leasehold and security deposits in trust	(1,496,798)	(1,637,659)
Cash and cash equivalents	¥6,838,162	¥5,673,658

4. Schedule of Tangible Assets of Property and Equipment

Tangible assets as of February 28, 2007 and August 31, 2006 consisted of the following:

	As of February 28, 2007			As of August 31, 2006		
	Acquisition Costs	Accumulated Depreciation	Book Value	Acquisition Costs	Accumulated Depreciation	Book Value
Land	¥16,600,462	¥-	¥16,600,462	¥11,074,399	¥-	¥11,074,399
Land in trust	90,926,678	-	90,926,678	85,836,151	-	85,836,151
Land including trust accounts	107,527,140	-	107,527,140	96,910,550	-	96,910,550
Buildings	10,896,689	(174,835)	10,721,854	8,100,235	(67,282)	8,032,952
Buildings in trust	52,387,383	(1,988,547)	50,398,835	48,717,249	(1,519,113)	47,198,135
Buildings including trust accounts	63,284,072	(2,163,382)	61,120,689	56,817,484	(1,586,396)	55,231,087
Structures	87,157	(1,021)	86,136	56,072	(383)	55,688
Machinery and equipment	209,476	(4,545)	204,931	161,176	(1,696)	159,480
Tools, furniture and fixtures	357,431	(16,617)	340,813	264,293	(6,380)	257,912
Structures in trust	503,391	(12,828)	490,563	464,381	(9,581)	454,800
Machinery and equipment in trust	615,229	(31,528)	583,701	582,216	(23,585)	558,631
Tools, furniture and fixtures in trust	409,766	(50,518)	359,247	407,363	(34,948)	372,414
Other tangible assets including trust accounts total	2,182,453	(117,060)	2,065,393	1,935,503	(76,577)	1,858,926
Total	¥172,993,667	(¥2,280,442)	¥170,713,224	¥155,663,538	(¥1,662,973)	¥154,000,564

5. Pledged Assets and Secured Loans

As of February 28, 2007 and August 31, 2006, the following assets were pledged as collateral for the following loans:
Pledged assets:

	(Thousands of yen)	
	As of February 28, 2007	As of August 31, 2006
Cash and bank deposits in trust	¥2,154,062	¥3,362,148
Buildings in trust	27,853,419	40,713,576
Structures in trust	282,767	386,782
Machinery and equipment in trust	82,581	418,287
Tools, furniture and fixtures in trust	137,190	216,096
Land in trust	48,513,072	72,252,781
Leasehold interests in trust	-	155,199
Total	¥79,023,094	¥117,504,872

Loans secured by the pledged assets:

(Thousands of yen)

	As of February 28, 2007	As of August 31, 2006
Short-term loan payable	—	¥5,800,000
Long-term loan payable due within one year	¥12,200,000	10,200,000
Long-term loan payable	21,100,000	36,900,000
Total	¥33,300,000	¥52,900,000

6. Unitholders' Equity (stipulated in Paragraph 4, Article 67 of the ITL)

NCRI issues only non-par value of investment units in accordance with the Investment Trust Law of Japan. The entire amount of the issue price of the new units is designated as state capital. The Company is required to maintain net assets of at least 50,000 thousand yen as required by the Investment Trust Law of Japan.

7. Short-Term Loans and Long-Term Loans

Short-term loans and long-term loans as of February 28, 2007 and August 31, 2006 consisted of the following:

	As of February 28, 2007		As of August 31, 2006	
	Amount (Thousands of yen)	Interest rate (%)	Amount (Thousands of yen)	Interest rate (%)
Short-term loan payable				
Secured loans due on December 26, 2006 with floating rate	-	-	¥1,300,000	1.07%
Secured loans due on January 11, 2007 with floating rate	-	-	1,400,000	1.07%
Secured loans due on February 1, 2007 with floating rate	-	-	3,100,000	1.07%
Unsecured loans due on April 27, 2007 with floating rate	-	-	14,700,000	0.69%
Unsecured loans due on June 29, 2007 with floating rate	-	-	13,000,000	0.80%
Unsecured loans due on November 30, 2007 with floating rate	¥6,400,000	0.96%	-	-
Unsecured loans due on December 13, 2007 with floating rate	2,100,000	0.98%	-	-
Unsecured loans due on December 21, 2007 with floating rate	16,800,000	1.01%	-	-
Sub total	¥25,300,000		¥33,500,000	
Long-term loan payable due within one year				
Secured loans due on December 18, 2006	-	-	¥10,200,000	0.55%
Secured loans due on December 17, 2007	¥12,200,000	0.86%	-	-
Sub total	¥12,200,000		¥10,200,000	
Long-term loan payable				
Secured loans due on December 17, 2007	-	-	15,300,000	0.79%
Secured loans due on September 21, 2008	21,100,000	1.14%	21,600,000	0.61%
Unsecured loans due on December 18, 2008	4,000,000	0.87%	-	-
Unsecured loans due on December 18, 2009	5,700,000	0.96%	-	-
Unsecured loans due on December 17, 2010	8,000,000	1.80%	-	-
Sub total	¥38,800,000		¥36,900,000	
Total	¥76,300,000		¥80,600,000	

For the period ended August 31, 2006, NCRI had committed lines of credit of 2,000 million yen with certain financial institutions. The unused amount of such committed lines of credit was 2,000 million yen as of February 28, 2007.

The anticipated maturities of long-term loans for the following four years ended February 28 starting in 2009 were as follows:

(Thousands of yen)	
2009	¥25,100,000
2010	¥5,700,000
2011	¥8,000,000
2012	-

8. Investment Corporation Bonds

Details of total investment corporation bonds outstanding are summarized as follows:

	As of February 28, 2007		As of August 31, 2006	
	Amount	Interest rate	Amount	Interest rate
First series of unsecured investment corporation bonds due on February 24, 2011	¥14,000,000	1.61%	¥14,000,000	1.61%

The anticipated maturities of these bonds for the following four years ended February 28 starting in 2009 were as follows:

(Thousands of yen)	
2009	-
2010	-
2011	¥14,000,000
2012	-

9. Rental Revenues and Expenses

Rental revenues and expenses for the six months ended February 28, 2007 and August 31, 2006 were as follows:

	(Thousands of yen)	
	As of February 28, 2007	As of August 31, 2006
A. Real estate rental revenues		
Rent	¥4,305,680	¥3,839,485
Parking lot income	137,530	118,438
Incidental income	15,516	14,463
Other rental revenues	276,017	228,670
Subtotal	¥4,734,746	¥4,201,057
B. Property operating expenses		
Repairs and maintenance	283,269	199,279
Utilities	74,617	55,650
Property management fee	135,677	125,982
Property related taxes	123,485	122,917
Insurance	10,488	9,400
Broker fee, advertising fee and others	358,515	293,329
Trust fee	46,459	46,457
Depreciation and amortization	737,301	651,652
Allowance for doubtful accounts	3,053	504
Other rental expenses	83,533	54,059
Subtotal	¥1,856,401	¥1,559,231
C. Real estate rental business profit (A-B)	¥2,878,345	¥2,641,825

10. Breakdown of Gain on Sale of Properties

Gains on sales of properties for the six months ended February 28, 2007 and August 31, 2006 were as follows:

	February 28, 2007	August 31, 2006
(Thousands of yen)		
M-1 New City Residence Meguro Mita		
Proceeds from sale of properties	¥7,070,000	-
Cost of properties sold	(6,086,246)	-
Other sales expenses	(25,913)	-
Gains on sales of properties	¥957,840	-
M-7 New City Residence Kyodo		
Proceeds from sale of properties	¥757,000	-
Cost of properties sold	(748,249)	-
Other sales expenses	(4,975)	-
Gains on sales of properties	¥3,775	-
R-8 New City Residence Uehonmachi		
Proceeds from sale of properties	¥859,000	-
Cost of properties sold	(871,805)	-
Other sales expenses	(4,662)	-
Gains on sales of properties	¥(17,468)	-

11. Per Unit Information

The following table summarizes the net income per unit for the six months ended February 28, 2007 and August 31, 2006 and the unitholders' equity per unit as of February 28, 2007 and August 31, 2006.

	For the six months ended February 28, 2007	For the six months ended August 31, 2006
Net income per unit	¥16,804	¥13,301
Weighted-average number of units	145,062 units	122,612 units

	As of February 28, 2007	As of August 31, 2006
Unitholders' equity per unit	¥537,843	¥544,451

Net income per unit is calculated by dividing net income by the weighted daily average number of units.

Diluted net income per unit is not presented since no warrants and convertible bonds were outstanding during the six months ended February 28, 2007 and August 31, 2006.

12. Income Taxes

Income taxes in Japan applicable to NCRI consist of corporate income tax, enterprise tax and inhabitant tax. The following is a reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended February 28, 2007 and August 31, 2006.

	As of February 28, 2007	As of August 31, 2006
Statutory income tax rate	39.39%	39.39%
Deductible dividend payments	(39.31)	(39.21)
Other	0.11	0.08
Effective tax rate	0.19%	0.26%

Under NCRI's distribution policy, cash distributions are made in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan for the fiscal period to qualify for conditions as set forth in the Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, NCRI treated the cash distributions as taxable distributions as defined in the Special Taxation Measures Law.

The tax effects of significant temporary differences that resulted in net deferred tax assets or liabilities as of February 28, 2007 and August 31, 2006 were as follows:

	(Thousands of yen)	
	February 28, 2007	August 31, 2006
Deferred tax assets		
Enterprise Taxes	¥333	¥-
Bad-debt loss	1,945	663
Allowance for doubtful accounts	1,432	817
Gross deferred tax assets	¥3,710	¥1,479
Valuation allowance	(3,377)	(1,479)
Total deferred tax assets	¥333	¥-
Deferred tax liabilities		
Unrealized gain from deferred hedge transactions	¥11,372	¥12,348
Total deferred tax liabilities	11,372	12,348
(Net deferred tax liabilities)	11,038	12,348

13. Leases

NCRI operates its properties that are rented to tenants on lease terms of two years generally, with monthly payments due in advance. As of February 28, 2007 and August 31, 2006, the future lease revenue under non-cancelable operating leases was as follows:

	(Thousands of yen)	
	For the six months ended February 28, 2007	For the six months ended August 31, 2006
Due within 1 year	¥411,036	¥488,796
Due after 1 year	554,433	593,741
Total	¥956,469	¥1,082,537

14. Derivatives

NCRI had the following derivatives contracts outstanding as of February 28, 2007 and as of August 31, 2006:

	February 28, 2007		August 31, 2006	
	Notional amount	Fair value	Notional amount	Fair value
Interest rate swap: Fixed rate payable and floating rate receivable	¥33,200,000	(¥18,602)	¥10,200,000	¥31,348

Interest rate swap transactions are exposed to interest rate fluctuation risks. Credit risk is recognized as immaterial because transactions are only entered into with financial institutions that have high credit ratings. Risk management for the periods is conducted based on the asset management procedures of the asset management company.

15. Related Party Transactions

Tetsuya Fujita, who holds no voting rights of New City Residence Investment Corporation, is the Executive Director of NCRI and President of CBRE Residential Management K.K..

CBRE Residential Management K.K. has entered into an asset management agreement subject to the conditions set forth in Articles of Incorporation of New City Residence Investment Corporation. Management fees payable and incurred as of February 28, 2007 and August 31, 2006 and for the periods then ended were as follows:

	(Thousands of yen)	
	February 28, 2007	August 31, 2006
Management fees payable	¥291,127	¥247,740
Asset management fees for the period	704,692	678,670

242,500 thousand yen and 280,140 thousand yen relating to the acquisition of properties were included in asset management fees in the table above and were capitalized as acquisition costs of the respective property.

16. Distribution Information

Pursuant to the distribution policy set forth in Article 35, Paragraph 1 of NCRI's Article of Incorporation, the maximum distribution amount cannot exceed unappropriated income, and this amount must exceed 90% of the "distributable income" which is defined in Article 67-15 of the Special Taxation Measures Law of Japan. No cash distributions exceeding unappropriated income as set forth in Article 35, Paragraph 1 (2) of the NCRI's Article of Incorporation were made.

Based on this policy, the board of directors of NCRI resolved on April 24, 2007 and October 27, 2006 to make cash distributions of 2,437,722,344 yen and 1,630,984,824 yen for 164,068 units and 122,612 units to unitholders of record on February 28, 2007 and August 31, 2006, respectively.

Income carried forward after distributions for the six months ended February 28, 2007 and August 31, 2006 were as follows:

	February 28, 2007	August 31, 2006
		(Thousands of yen)
Unappropriated income	¥2,437,788	¥1,631,032
Cash distribution declared	2,437,722	1,630,984
Income carried forward	65	47
		(yen)
Cash distribution declared per unit	¥14,858	¥13,302

17. Subsequent Events

(1) Transfer of assets

NCRI has concluded a transfer agreement for trust beneficiary rights in real estate on April 13, 2007. Under the transfer agreement effective April 13, 2007, NCRI transferred the trust beneficiary rights in New City Residence Jinbocho to GE Real Estate Corporation for 3,275 million yen on June 29, 2007. The resulting gain on the sale of the property is approximately 400 million yen, which will be recorded in operating revenues. The transfer price excludes real estate tax, city-planning tax, and consumption tax.

(2) Issuance of investment corporation bonds

NCRI issued investment corporation bonds for the purpose of repaying borrowings based on a decision by the board of directors at a meeting held on November 30, 2006. The proceeds from the issuance of the new bonds were completed on April 12, 2007 as detailed below.

Second series of unsecured investment corporation bonds

Issue date:	April 12, 2007
Issue amount:	12,000 million yen
Interest rate:	1.79%
Maturity date:	April 12, 2012
Repayment method:	Repayment in full on maturity

Third series of unsecured investment corporation bonds

Issue date:	April 12, 2007
Issue amount:	5,000 million yen
Interest rate:	2.15%
Maturity date:	April 11, 2014
Repayment method:	Repayment in full on maturity

(3) Repayment of borrowings

NCRI repaid the following unsecured and unguaranteed borrowings on April 17, 2007 prior to the maturity date.

(Millions of yen)

Lender	Amount
Sumitomo Mitsui Banking Corporation	¥4,300
The Chuo Mitsui Trust and Banking Company, Limited.	2,150
Shinsei Bank, Limited	2,150
Aozora Bank, Ltd.	1,411
The Bank of Fukuoka, Ltd.	1,344
North Pacific Bank, Ltd.	1,344
The Sumitomo Trust and Banking Co., Ltd.	941
Resona Bank, Limited.	672
The Hyakugo Bank, Ltd.	672
Mitsui Sumitomo Insurance Co., Limited	672
The Yamaguchi Bank, Ltd.	672
The Chiba Bank, Ltd.	672
Total	¥17,000

Principal Investment Information

Composition of Unitholders

(as of February 28, 2007)

Number of units owned - 164,068

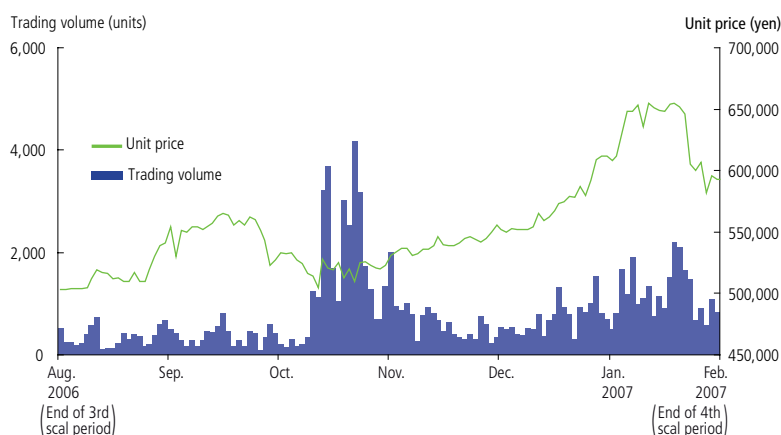
Overseas investors	69,072 units	42.10%
Other domestic corporations	7,061 units	4.30%
Financial institutions (including securities firms)	71,091 units	43.30%
Individuals & others	16,844 units	10.30%

Number of unitholders - 7,535

Overseas investors	115	1.50%
Other domestic corporations	133	1.80%
Financial institutions (including securities firms)	141	1.90%
Individuals & others	7,146	94.80%

Investment Unit Performance

Note 1 Unit prices are closing basis.



Principal Unitholders

As of February 28, 2007

Name	Investment Units Held	Percentage Share (Note 1)
NikkoCiti Trust and Banking Corporation (Investment Trust Account)	10,798 units	6.58%
Morgan Stanley & Co. International Limited	9,162 units	5.58%
Japan Trustee Services Bank, Ltd. (Trust Account)	8,549 units	5.21%
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,388 units	4.50%
Trust & Custody Services Bank, Ltd. (Investment Trust Account)	4,735 units	2.88%
State Street Bank & Trust Co 506155	4,627 units	2.82%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	3,854 units	2.34%
State Street Bank and Trust Company	3,417 units	2.08%
Goldman Sachs International	3,343 units	2.03%
The Chase Manhattan Bank, N.A. London SL Omnibus Account	3,249 units	1.98%
Total	59,122 units	36.03%

Note 1 Percentage share shall indicate the number of investment units held as a percentage of the total number of investment units issued and outstanding.

Corporate Data (as of February 28, 2007)

Corporate Office: 1-10-6, Roppongi, Minato-ku, Tokyo 106-0032, Japan

Date of Incorporation: September 27, 2004

Capital: ¥ 85,791,179,400 (164,068 units)

Stock Listing: Tokyo Stock Exchange

Security Code: 8965

Contact: For further information, please contact our asset management company or visit our website.
(<http://www.ncrinv.co.jp/eng/>)

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